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FOR SECRETARY GATES FROM AMBASSADOR REEKER

E.O. 12958: DECL: 09/30/2028

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SUBJECT: SCENESETTER FOR SECRETARY GATES' OCT 7-8 VISIT TO MACEDONIA

CLASSIFIED BY: Ambassador Reeker for reasons 1.5 (b) and (d).

1. (S) Summary: Macedonia faces an uncertain international future, quiet but deep-seated domestic divisions, and an economy still struggling to reach full potential. Their appreciation for U.S. support and friendship remains very strong. We have concerns about recent GoM steps in rule of law, responsible government, and defense funding and are engaging in concert with the international community here. Settling the name dispute with Greece is crucial for Macedonia's NATO and EU aspirations. However, the GoM has made a number of moves which irritate Greece and make resolution more difficult. The latest UN ideas offer a chance to close a deal but this requires new flexibility from both sides. Interethnic relations are more stable following the election, but there are tensions between the ruling party and its ethnic Albanian partner. Macedonian leaders will look to you for assurance of U.S. solidarity, insights on next steps in Iraq and Afghanistan, and leadership regarding the challenge from Russia. End summary.

2. (C) I warmly welcome you to Macedonia and look forward to meeting you in Ohrid. Your visit comes as Macedonia is still struggling to cope with not being invited to join the Alliance as a result of the Greek veto at the Bucharest summit in April. PM Gruevski failed to heed our advice to strive --with President Bush's personal support -- for an immediate agreement with Athens on the name issue. Instead, Gruevski called snap elections in an effort to boost his majority in parliament. This succeeded, but election-related violence (predominantly in ethnic Albanian areas) and irregularities compelled the international community to conclude that the polls failed to meet standards. Worse, the campaign and government-formation process delayed any serious work on the name issue for months, now placing a NATO invitation in 2008 almost beyond reach. Macedonia is still actively engaged in UN-led negotiations since Bucharest, but its leaders are not optimistic that a solution will be reached soon.

Kosovo: Good News Story

3. (C) Macedonia is preparing to recognize Kosovo, apparently having stuck to its word to do so once the border demarcation process is essentially complete. In the face of threats from Serbia, PM Gruevski has told us that he would prefer to recognize along with Montenegro (and possibly Portugal) by mid-October. Cooperation between the Kosovars and Macedonians on demarcation has been good beyond expectations, and the GoM has been transparent with us while seeking to minimize the fallout with Belgrade. The Macedonians had at first been nervous about Kosovo's independence, but now understand it as a stability multiplier in the region and a way to maintain a positive dynamic with its own ethnic Albanian population.

¶4. (SBU) The Gruevski government has misstepped on issues of rule of law and political dialogue. During the summer the parliament rushed through over 150 laws using an emergency procedure, snuffing out any chance for debate. At the same time, the authorities arrested the main opposition party's Vice President, Zoran Zaev, on corruption charges, alerting the media in order to subject him to a high-profile "perp walk," then manipulating the judicial process to ensure he remained in preventive detention even when the presiding judge ordered him released. The party, SDSM, walked out of parliament, only agreeing to return after President Crvenkovski, who himself hailed from SDSM, pardoned Zaev and refused to sign most of the laws passed under emergency procedure. (This last move was symbolic, as these vetoes were easily overridden in parliament.) Needless to say, poor relations between Gruevski and Crvenkovski have led to both sides showing more interest in personal politics than in governing.

¶5. (SBU) More positively, Gruevski's ruling VMRO took the largest ethnic Albanian party, DUI, on as its coalition partner, and this partnership has been proceeding relatively well. Gruevski finally accepted DUI's long-standing demand for a law permitting greater use of Albanian in official contexts; it passed on July 25 (albeit under the emergency procedures noted above). Macedonian recognition of Kosovo -- another key DUI item -- appears imminent. There are tensions under the surface, however, currently chief among them the government's decision to proceed with four cases against ethnic Albanians stemming from the 2001 conflict that the ICTY recently decided not to pursue further. Most in the Albanian community argue that under the 2002 amnesty law, the government is not permitted to

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proceed with these cases, some of which implicate the most senior leadership in DUI. Should these cases proceed further, it could tear the coalition apart and, more significantly, spark inter-ethnic tensions. Prolonged exclusion from NATO and the EU would only exacerbate these problems.

Economy and Defense Budget Issues

¶6. (U) If NATO and EU membership remains distant, it will not help an economy which, though growing, still is struggling to transition. GDP growth is at about 6%, but unemployment remains high (officially about 35%, though the gray economy ameliorates this somewhat). The GoM has pursued a generally sound fiscal policy, though growing trade and current accounts deficits are putting a strain on the economy which is compounded by only modest foreign direct investment.

¶7. (SBU) While the Macedonian leadership still remains committed to NATO membership and maintaining Alliance standards, the GoM did carry out a budget rebalancing in June which shifted 11 million Euro from the Ministry of Defense to Interior. This brought the defense budget to just below two percent of GDP, not a black and white NATO requirement but a standard the Macedonians had long touted to show their commitment to the Alliance. The Defense Minister told NAVEUR ADM Fitzgerald on Sept. 16 that the GoM was planning to increase his budget by some 36% (2.4% of GDP).

Recommendations: Solidarity, Georgia, Redeployment from OIF

¶8. (U) While here, we recommend you very briefly address the press to thank the Macedonian people for their contributions to Iraq and Afghanistan and express continued U.S. solidarity with the country. Both publicly and privately, you should address Russia's recent aggression and urge Macedonia to stand by Georgia.

¶9. (S) The Macedonian leadership responded calmly to the news that their forces in OIF (75 soldiers, mostly SOF) will not be needed in Iraq after Dec 31. Washington has encouraged Macedonia to consider folding some of their OIF contribution into NTM-I, and Macedonia is positively disposed and actively considering this, indicating that they have 5-10 qualified trainers who could serve there. Macedonian leadership will likely be receptive to U.S. requests for increasing

their troop contribution in Afghanistan but will look to us for a specific request (Macedonia already has 150 troops in ISAF). We recommend you engage the leadership on this issue. While Macedonia has domestic problems, its desire to contribute to peace and security side by side with us remains undiminished.

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